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Note: Due to legislative changes, references to s. 72 of the Regulations should now read s. 76 of the Regulations, and references to "PCO" should now read "FSCO".

Financial Statements for Pension Plans - Fund Statements or Plan Statements?

An Administrator of a pension plan is required to file with the PCO financial statements for the pension fund or the pension plan annually. The requirement is found in section 72 of the Regulation. Such financial statements must be accompanied by an auditor's report if, at the fiscal year end of a pension plan, the plan has \$3,000,000 or more in assets calculated at market value, pursuant to subsection 72(2) of the Regulation. (*PCO Staff Comment Summer 1996: the last sentence in this paragraph has been updated to reflect current criteria.*)

Prior to the PBA, 1987 going into effect on January 1, 1988 no such regulatory requirement existed. As a matter of practice, however, the PCO had required submission of a statement of assets by each plan on a triennial basis if the plan's assets were invested outside of deposit administration general funds contracts and/or fully-insured contracts of life insurance companies.

The current Regulation permits the filing of either fund or plan financial statements. This enables the Administrator to deal with - in notes or appendices - the wider concept of the plan as opposed to the more limited fund concept. The primary interest of the PCO is in financial statements for the pension fund since the purpose of the Regulation is to require disclosure respecting how the assets of the plan are being invested and how they are performing.

The PCO recognizes the value of financial statements for the plan in providing in one place relevant information concerning both the assets and liabilities of the plan. It is noted, however, that information as to the liabilities of the plan is available in other documents and reports filed with the PCO such as plan texts, actuarial reports and cost certificates. From the regulatory perspective, the chief user of the financial statements is the plan member who has the right to inspect them on request, as is the case with all other documents filed with the PCO. Therefore, the plan member has access to filed documents and may review all aspects of the plan and fund.

The PCO is concerned with the cost to plan sponsors or to the plan itself in the preparation of financial statements for pension plans rather than for pension funds, and with the discrepancy between the regulatory valuation of the liabilities of a plan and the view of such liabilities that is consistent with generally accepted accounting principles. The PCO is currently holding discussions with the *Canadian Institute of Chartered Accountants*, which has recently issued accounting recommendations for pension plans in its Handbook under section 4100.